



Brett A. Kissel
Associate Director
Federal Regulatory

SBC Telecommunications Inc.
1401 I Street NW, Suite 1100
Washington, D.C. 20005
Phone 202.326.8871
Fax 202.408.4805
E-Mail: BKissel@corp.sbc.com

February 3, 2004

VIA ELECTRONIC FILING

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Room TWB-204
Washington, D.C. 20554

RE: NOTICE OF EX-PARTE COMMUNICATION

WC Docket No. 03-228, Section 272(b)(1)'s "Operate Independently" Requirement for
Section 272 Affiliates

Dear Ms. Dortch:

On Monday, February 2, 2004, Dorothy Attwood, Rich Dietz, Gary Phillips and Keith Epstein of SBC Communications Inc. met with Commissioner Kevin Martin and Dan Gonzalez. The purpose of the meeting was to address the Notice of Proposed Rulemaking in the above captioned proceeding and, in particular, the need for OI&M relief from a business perspective in terms of SBC's data affiliates. The attached documents were provided.

In accordance with section 1.1206 of the Commission's rules, this letter is being filed in the above referenced proceeding via the Commission's ECFS system. Should you have any questions regarding the attached, please do not hesitate to contact me by whatever means are most convenient for you.

Sincerely,

A handwritten signature in blue ink that reads "Brett A. Kissel". The signature is written in a cursive, flowing style.

ENCLOSURE

cc: Commissioner Martin (via electronic mail)
Mr. Gonzalez (via electronic mail)



OI&M Restrictions Impairs SBC's Ability to Meet Market Demand and Customer Expectations

Customer Options

- OI&M relief will improve SBC's ability to meet customer requested due dates by streamlining the provisioning and care processes. Current regulations impair SBC's ability to provide timely, efficient, cost-effective and reliable service to its customers, and they do so without any countervailing benefits.
- SBC has made, and is prepared to continue making, investments to more accurately deliver solutions that customers demand and to reduce the overall cycle-time that customers are getting today. However, all these efforts are based on SBC getting relief on OI&M. We have been preparing for the last 16 months and are ready to execute. Any delay in this decision reduces and delays the customer benefits derived from this substantial investment.

Competition

- SBC is investing to bring new and improved alternatives for customer solutions into the medium- and high-end marketplace. Today, SBC has less than ten percent market share in National Data, where customer choices are limited.
- SBC's business forecasts for bringing new benefits and better choices to customers depend on the timing of the resolution of this docket. For that reason, SBC must have a firm resolution date to allow us to accurately alter our plans in order to meet market demands, offer more choices, meet customer expectations, and increase competition in the National Data marketplace.

Derived Efficiencies and Cost Savings

- With OI&M relief, SBC will realize efficiencies in systems, processes and operations through elimination of duplication that only serves to inflate consumer rates and diminish service quality by imposing on SBC a grossly inefficient business and cost structure. Therefore, a delay in this decision impacts our staffing models, system consolidations and products development efforts that require significant investment and lead time.
- Without a firm resolution date, SBC will be forced to continue delaying execution of the current plan which will result in lost opportunities, delay in system consolidation, and continued uneconomical costs for operations.
 - Estimated \$77 million in operational savings by eliminating duplicative efforts and inefficient processes
 - Estimated \$100 million in revenue opportunity loss due to an inability to provide streamlined competitive services.

SBC Data Services

SBC Internet Services

Dial-up
DSL Internet Services

SBC Telecom

Out of Region Voice, Data

SBC DataComm

Network Integration
WAN/LANs, CPE

SBC IP Communications

Hosted Communication
Voice over IP

SBC Long Distance

InterLATA Voice, Data

SBC Advanced Solutions

DSL Transport
IntraLATA/National Data Services

SBC E-Services

Web Hosting
Internet Data Centers

